

Message Text

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ACTION EUR-12

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INFO USMISSION USBERLIN

AMEMBASSY BONN

AMCONSUL BREMEN

USMISSION EC BRUSSELS

AMEMBASSY BRUSSELS

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMCONSUL FRANKFURT

USMISSION GENEVA

AMEMBASSY THE HAGUE

AMCONSUL HAMBURG

AMEMBASSY LONDON

AMEMBASSY LUXEMBOURG

AMCONSUL MUNICH

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMCONSUL STUTTGART

UNCLAS DUSSELDORF 1030

E.O. 11652: N/A

TAGS: EMIN, ECON, XT

SUBJECT: OUTLOOK FOR INTERNATIONAL STEEL ASSOCIATION

REF: DUSSELDORF 130, LUXEMBOURG 630

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1. SUMMARY: A GERMAN IRON AND STEEL ASSOCIATION OFFICIAL

DESCRIBED THE ORIGIN OF THE INTERNATIONAL STEEL ASSOCIATION AS LESS CONSPIRATORIAL THAN IT HAS BEEN PORTRAYED IN THE PRESS. HE POINTED OUT THE NEED OF THE PRODUCERS IN SMALLER COUNTRIES FOR SERVICES SIMILAR TO THOSE PROVIDED BY THE LARGE GERMAN ASSOCIATION, DEPRECATED THE CARTEL ASPECTS OF THE RATIONALIZATION GROUPS AND EXPRESSED CAUTIOUS OPTIMISM THAT IT WOULD BE POSSIBLE TO SET UP A NEW ORGANIZATION OR SO MODIFY THE PRESENT INTERNATIONAL STEEL ASSOCIATION THAT ALL THE EC STEEL PRODUCERS COULD PARTICIPATE. HE DEFENDED THE CONTRACTUAL PRODUCTION QUOTAS IN CRISIS PERIODS PROPOSED TO THE EC BY THE INTERNATIONAL ASSOCIATION AS NECESSARY TO SMOOTH OUT THE VIOLENT SWINGS IN THE STEEL PRODUCTION CYCLE AND AS A LESSER EVIL COMPARED WITH GOVERNMENT CONTROLS OVER PRODUCTION AND IMPORTS. END SUMMARY.

2. AN OFFICIAL OF THE WIRTSCHAFTSVEREINIGUNG EISEN UND STAHL (IRON AND STEEL ASSOCIATION) GAVE THE REPORTING OFFICER A DETAILED BRIEFING ON THE BACKGROUND, PURPOSES, DEVELOPMENT AND PROSPECTS OF THE INTERNATIONAL STEEL ASSOCIATION ESTABLISHED ON JULY 7, 1976 BY STEEL PRODUCERS IN BELGIUM, LUXEMBOURG, NETHERLANDS AND THE FEDERAL REPUBLIC OF GERMANY. THE CONSULATE GENERAL HAS REASON TO BELIEVE THAT THE INFORMATION FURNISHED IS FACTUALLY ACCURATE.

3. THE SOURCE CLAIMED THAT THE DESIRE OF STEEL PRODUCERS IN HOLLAND AND LUXEMBOURG TO JOIN THE GERMAN IRON AND STEEL ASSOCIATION IN ORDER TO OBTAIN MARKETING AND TECHNICAL DATA NOT AVAILABLE IN THE SMALLER ASSOCIATIONS IN THEIR OWN COUNTRIES PLAYED AN IMPORTANT ROLE IN THE FOUNDATION OF THE INTERNATIONAL IRON AND STEEL ASSOCIATION.

4. THE TWO ANNOUNCED PURPOSES OF THE NEW ASSOCIATION WERE TO FORM RATIONALIZATION GROUPS, WHICH WOULD AGREE ON THE SPECIALIZATION OF OUTPUT BY PLANTS PERMITTING LONGER PRODUCTION RUNS AND MORE EFFICIENT STOCKING OF PRODUCTS, AND TO MAKE UNIFIED RECOMMENDATIONS ON STEEL POLICY TO THE EUROPEAN COMMUNITY.

5. THE SOURCE STRESSED THAT THE TWO RATIONALIZATION GROUPS DO NOT INCLUDE THE LARGEST CONCERNS IN THE AREA, AUGUST THYSEN HUETTE AND HOESCH ESTEL, LET ALONE ALL THE PRODUCERS

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IN THE ASSOCIATION. THE NORTH GROUP INCLUDES THE MAXIMILIANSHUETTE, KLOECKNER WERKE, STAHLWERKE PEINE-SALZGITTER AND THE KRUPP HUETTENWERKE. THE SOUTH GROUP INCLUDES THE DILLINGER HUETTE, NEUNKIRCHER EISENWERK, STAHLWERKE ROECHLING-BURBACH, ESCHWEILER BERGWERKSVEREIN, OTTO WOLFF AG, ARBED AND ARBED FELTEN AND GUILLEAUME DRAHTWERK.

6. THE MAIN RECOMMENDATION OF THE INTERNATIONAL ASSOCIATION

TO DATE HAS BEEN THAT THE EC COMMISSION IN PERIODS OF FALLING DEMAND FOR STEEL SHOULD SET PRODUCTION QUOTAS BY COUNTRY THAT WOULD BE ENFORCED THROUGH CONTRACTUAL ARRANGEMENTS AMONG THE PRODUCERS. IN THE RECESSION DURING THE PAST TWO YEARS THE GERMAN STEEL ASSOCIATION WAS THE MAIN OPPONENT OF THE INVOCATION OF ARTICLE 58 OF THE EUROPEAN COAL AND STEEL COMMUNITY TREATY TO IMPOSE PRODUCTION AND IMPORT QUOTAS BECAUSE OF ITS OBJECTION IN PRINCIPLE TO GOVERNMENT CONTROL OF INDUSTRY AND OF ITS CONCERN OVER RETALIATORY TRADE RESTRICTIONS THAT OTHER COUNTRIES MIGHT IMPOSE. NOW THE GERMAN PRODUCERS APPEAR TO ACCEPT THE NEED TO TAKE MEASURES TO REDUCE THE MAGNITUDE OF FLUCTUATIONS IN STEEL OUTPUT AND TO ENSURE MORE OR LESS EQUITABLE SHARING OF THE BURDEN OF PRODUCTION CUTS. THEY STILL SEEK A SOLUTION, HOWEVER, THAT MINIMIZES THE ASPECT OF GOVERNMENT CONTROL.

7. WHEN THE REPORTING OFFICER POINTED OUT THAT THE INTERNATIONAL STEEL ASSOCIATION WAS NOT WELL SUITED TO ENSURE EQUAL BURDEN SHARING, SINCE IT INCLUDED ONLY 40 PERCENT OF THE PRODUCERS IN THE EC, OUR SOURCE FIRST NOTED THAT THE ASSOCIATION WAS OPEN TO ALL EC PRODUCERS AND THEN ADMITTED THAT IT WAS UNLIKELY THAT THE OTHER COUNTRIES WOULD JOIN SOON. THE FRENCH IN PARTICULAR HAVE CRITICIZED THE NEW ASSOCIATION SO HARSHLY (E.G. LE MONDE EDITORIAL JULY 9) THAT THEY WOULD LOSE FACE IF THEY TURNED AROUND AND JOINED IT. THEY HAVE HURT FEELINGS THAT THE DUTCH AND LUXEMBOURG PRODUCERS TURNED TO THE GERMANS RATHER THAN TO THEM AND ARE CONCERNED ABOUT THE RELATIVE ECONOMIC POWER OF GERMANY. THE BRITISH AND ITALIANS HAVE BEEN LESS OUTSPOKEN ON THE SUBJECT BUT WOULD HAVE COMPATIBILITY PROBLEMS WITH THE FREE ENTERPRISE GERMANS IN VIEW OF THE LARGE GOVERNMENT ROLE IN THEIR STEEL INDUSTRIES. THE CONSULATE GENERAL'S SOURCE BELIEVED, HOWEVER, THAT IT WOULD BE POSSIBLE EITHER TO MODIFY UNCLASSIFIED

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THE INTERNATIONAL STEEL ASSOCIATION OR TO ESTABLISH A NEW ORGANIZATION THAT WOULD BE ACCEPTABLE TO ALL THE EC STEEL PRODUCERS.DUX

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